

GUIDELINES FOR GROUPS

CONSIDERING

FORMATION OF A CO-OPERATIVE

PREPARED AND ISSUED BY

THE CO-OPERATIVE FEDERATION OF VICTORIA

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FORMATION OF CO-OPERATIVE SOCIETIES IN VICTORIA

1. The use of the word "Co-operative" in a business name is restricted to Societies incorporated under the Co-operation Act 1981. To use such a word indicating the organisation is a formally incorporated Co-operative Society is to commit an offence punishable by law.
2. Co-operatives have social as well as economic objectives and they must operate in accordance with established sound business practice, but in addition must conform to the Principles of Co-operation written into the Co-operation Act 1981.

These Principles are

Open Membership	-	Section 52 (2)
Democratic Control	-	Section 111 (3)
Limited Interest or Share Capital	-	Section 60 (5)
Equitable Distribution of Surplus	-	Section 60 (5)(6)

3. The Co-operation Act 1981 provides for various kinds of Co-operative Societies to be registered. These are

Producers
Trading
Credit
Community Advancement
Community Settlement

4. Registration of a Co-operative is achieved after proceeding through several stages. The first of these is for the group to accept that there is a need for it; that is, define the objectives and accept that these can best be met by a Co-operative structured business. There is no point in setting up a Co-operative merely for the sake of forming a Co-operative.
5. The next thing to do is to have a feasibility study done to demonstrate how viable the Co-operative will be:
e.g. How many members will it have
How much will each member contribute towards equity capital
What the capital costs of plant and equipment will be
What the operating costs will be
What sources of funds are available, using equity capital, plant, etc. as security
What management - administration, financial accounting, marketing - resources are available
What policy setting (directors) personnel with relevant qualification of experience are available.
6. Subject to the feasibility study indicating a favourable situation, the next stage is to prepare for a formation meeting. At this meeting, among other things Rules of the Co-operative have to be agreed. Once agreed they can only be changed in general meetings by special resolutions.

Model Rules for each kind of Society are available from the Government Printer to assist groups in drawing up the Rules which will meet their needs. The group should obtain copies of these Rules, study them, add specific Rules to meet their requirements, delete those not considered relevant to their needs, and with this draft of their proposed Rules seek an informal meeting with the Co-operative Registrar.

The object of this meeting would be to advise of the intention to form a Co-operative Society, obtain the necessary Forms for application for registration and clear the proposed Rules to ensure the proposals will be acceptable when presented after approval by members at the formation meeting.

7. Before the formation meeting it is necessary to prepare detailed estimates of the anticipated receipts and expenditure of the Co-operative for its first two financial years of operation.
8. It is also necessary to have agreed the proposed directors, manager and secretary of the Co-operative. At present the number of directors of a Co-operative is required to be not less than three nor more than seven.
9. The group should now be ready to call the formation meeting.

At least seven persons, or in the case of a Credit Society fifty persons, are required to form a Co-operative.
10. Unless the Rules provide otherwise any person over fifteen years of age and under the age of eighteen years may be a member, but shall not be competent to vote or to hold Office in the Society or to be one of the persons by whom the Society may be formed.

Formation members, voting members and Office bearers must be to eighteen years of age or over.
11. At the formation meeting the following statements are required to be presented
 - (a) A written Statement showing
 - (i) the objects of the Co-operative
 - (ii) the factors which will ensure that it will be co-operative in character and operations (i.e. that it will have

the promotion of the social and economic interests of its members,

that each member will have one vote only irrespective of the number of shares held,

that no more than 20% of the share capital will be held by any one member,

that any surplus achieved from operations will be distributed to members in the form of limited rate of dividend on their share capital or in the form of a bonus or rebate proportionate to the contribution each has made towards earning that surplus.
 - (iii) A written statement showing full particulars of any contracts or agreements entered into;

- (iv) A copy of the Rules proposed to be tendered for registration;
 - (v) Detailed estimates of anticipated receipts and expenditures of the Co-operative for its first two financial years;
 - (vi) A statement by each of the proposed directors and officers of the Co-operative that each is capable of performing the duties of the Office, and will discharge them competently.
12. If at the formation meeting at least seven persons (or, in the case of a credit society 50 persons) aged eighteen or over approve the Rules and sign an application for membership, they should then proceed to elect the first directors.
13. Within two months after the election of directors (or such extended time as the Registrar may allow) the application for registration of the Co-operative should be made to the Registrar on Form 2.
14. The following documents are required to be submitted with the application:
- (i) A statutory declaration signed by the Chairman and Secretary of the Formation Meeting as to compliance with the Act;
 - (ii) A copy of each of the statements and estimates presented to the meeting set out at (11) above;
 - (iii) Two copies of the proposed Rules signed by the Chairman and Secretary and certified by them as being the Rules approved at the formation meeting, and the signatures are required to be attested to by a witness;
 - (iv) A list containing the full name, address, and occupation of each director;
 - (v) A list containing the full name, address, and occupation of each applicant for membership and the number of shares subscribed for by each.
15. If the Registrar is satisfied that the application is in order and that, if registered, the Co-operative will be able to carry out its objects successfully, he will register the Co-operative and its Rules, and issue a Certificate that the Co-operative is incorporated under the Co-operation Act 1981.
16. In some instances Co-operatives might be eligible for funding assistance as part of the Victorian Government's Community Employment Co-operative Development Programme. Enquiries on this Programme should be directed to

Co-ordinator,
Employment Co-operative Development Programme,
Department of Employment and Training,
21st Floor, Nauru House
80 Collins Street
MEOBOURNE, VICTORIA 3000

17. The Treasurer of Victoria, on the recommendation of the Co-operative Societies Advisory Council, may execute a guarantee in favour of any bank approved by him guaranteeing the repayment of any loan to be made by the bank to a Co-operative registered under the Co-operation Act 1981.

Enquiries should be addressed to

The Secretary,
Co-operative Societies Advisory Council
250 Elizabeth Street
MELBOURNE, VICTORIA 3000

18. Further information or assistance on formation of Co-operative Societies may be obtained from

Registrar of Co-operative Societies
250 Elizabeth Street
MELBOURNE, VICTORIA 3000

(In the case of Credit Co-operative Society inquiries)

The Victorian Credit Co-operative Association,
73 Wellington Street
WINDSOR, VICTORIA 3181

The Co-operative Federation of Victoria
225 Swanston Street
MELBOURNE, VICTORIA 3000